

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BERLIN PRIORITY

C O N F I D E N T I A L STATE 102044

E.O. 11652:GDS

TAGS:ABCD

SUBJECT: PERMANENT EMBASSY CHANCERY

REF: (A) BERLIN 5 63, (B) BERLIN 5615, (C) BERLIN 5693,
(D) B-RLIN 5720

1. DEPARTMENT AND CONTRACT ARCHITECT KNOOP HAVE REVIEWED CONTENTS OF BERLIN 5693 WHICH OUTLINED ADDITIONAL DLA CHARGES FOR CHANCERY RENOVATION. AS PLANS AND DETAILED BREAKDOWN OF DIRECT REPEAT DIRECT COSTS HAVE NOT YET BEEN RECEIVED, WE ARE UNABLE TO MAKE SPECIFIC COMMENTS ON THIS CATEGORY OF ADDITIONAL COSTS. HOWEVER, IT IS CLEAR THAT CHARGES FOR INDIRECT EXPENSES (ITEMS I, II AND IV AS WELL AS "LOST MATERIAL" AND "LOST PROJECT EXPENSES") APPEAR EXCESSIVE. WE ALSO AGREE WITH EMBASSY VIEW THAT MANNER IN WHICH GDR IS CONTINUING WITH WORK BEFORE DISCUSSING PROPOSED CHANGES AND ADDITIONAL COSTS IS UNACCEPTABLE.

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2. AMBASSADOR SHOULD PRESENT DEPARTMENT'S VIEWS ON

CONSTRUCTION ISSUES TO HIGHEST APPROPRIATE FOREIGN
MINISTRY OFFICIALS AS FOLLOWS:

A. US IS CONCERNED WITH MANNER IN WHICH THE GDR HAS
TREATED OUR REQUEST FOR CHANGES IN ORIGINAL PLANS FOR
CHANCERY BUILDING. THE ALTERATIONS WHICH WE DESIRE ARE
NOT UNREASONABLE AND ARE OF A NATURE WHICH OFTEN ARISE
IN A MAJOR RENOVATION PROJECT OF THIS SORT.

B. SINCE WE REALIZED THAT CHANGES COULD NOT BE MADE
WITHOUT FURTHER DISCUSSION, OUR ORIGINAL PROPOSALS WERE
ACCOMPANIED BY A SPECIFIC REQUEST THAT WORK IN AFFECTED
AREAS OF THE CHANCERY BE HALTED UNTIL THE US AND GDR SIDES
HAD AN OPPORTUNITY TO GO OVER OUR PROPOSALS IN DETAIL TO
DETERMINE WHAT WAS POSSIBLE AND WHAT THE ADDITIONAL COSTS
IF ANY WOULD BE.

C. HOWEVER, THE DLA REFUSED TO HALT CONSTRUCTION AND DID
NOT SEEM WILLING TO ENTER INTO DETAILED DISCUSSION OF
OUR PROPOSALS. INSTEAD, WE RECEIVED WHAT APPEARED TO BE
A FINAL POSITION FROM THE DLA REJECTING SOME OF OUR
PROPOSALS COMPLETELY, WITHOUT GIVING SUFFICIENT REASON
WHY THEY COULD NOT BE CARRIED OUT, AND DETAILING
ADDITIONAL COSTS, MANY OF WHICH APPEAR TO EXCESSIVE.

D. UNTIL WE HAVE COMPLETED OUR STUDY OF BUILDING PLANS
AND BREAKDOWN OF ADDITIONAL CHARGES, WE WILL NOT BE ABLE
TO MAKE SPECIFIC COMMENTS ON THE INCREASED DIRECT COSTS
REQUESTED BY THE DLA. WE HAVE, HOWEVER, REVIEWED THE
INDIRECT COSTS CONTAINED IN THE DLA PRESENTATION AND IN
OUR VIEW, THEY ARE UNACCEPTABLE.

E. WHILE THE USG ACCEPTS THE PREMISE OF PAYMENT FOR COSTS
FOR RENOVATIONS EXCEEDING DLA NORMS WHICH WE REQUEST AND
APPROVE, WE BELIEVE THE VALIDITY AND LOGIC OF INDIRECT
COST CLAIMS PUT FORWARD BY THE DLA ARE OPEN TO SERIOUS
QUESTION. WE WILL REQUIRE A DETAILED EXPLANATION OF THE
CHARGES FOR "EXTRAORDINARY WORK" AND THE AMOUNT DEMANDED
UNDER "OTHER INVESTMENTS" BEFORE WE CAN SERIOUSLY CONSIDER
ANY SUCH BILLINGS. WHILE WE MAY EVENTUALLY AGREE TO
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SOME REASONABLE PENALTY FOR "LOST MATERIAL" AND "LOST
PROJECT EXPENSES", WE ARE CLEARLY NOT PREPARED TO ACCEPT
CHARGES FOR ITEMS SUCH AS WOOD PANELING WHICH MUST BE
USABLE IN OTHER GDR CONSTRUCTION PROJECTS.

F. WITH REFERENCE TO GRILLWORK MENTIONED IN BERLIN 5720,
ARCHITECT KNOOPS STATES THAT NO REPEAT NO REQUEST WAS
MADE FOR GRILLWORK. WHILE SUBJECT WAS DISCUSSED

INFORMALLY, NO CONCLUSIONS WERE DRAWN AND NO AGREEMENT WAS REACHED ON THE SUBJECT.

G. THE DIFFICULTIES MENTIONED ABOVE INDICATE CLEARLY THAT CONSIDERABLE FURTHER STUDY AND DISCUSSION WILL BE NECESSARY BEFORE US-GDR DIFFERENCES OVER CHANCERY CONSTRUCTION CAN BE IRONED OUT. TO ENABLE THE RENOVATION PROJECT TO BE COMPLETED IN A FASHION SATISFACTORY TO BOTH SIDES, US URGES STRONGLY THAT GDR SUSPEND CONSTRUCTION ON AFFECTED AREAS OF CHANCERY UNTIL AGREEMENT ON EXTENT AND COST OF PROPOSED CHANGES CAN BE REACHED. US ALSO SUGGESTS THAT EMBASSY AND DLA GET TOGETHER AS SOON AS WASHINGTON OFFICIALS HAVE HAD A CHANCE TO STUDY DETAILS OF INCREASED CHARGES TO DETERMINE WHAT CHANGES CAN BE MADE AND WHAT A FAIR PRICE FOR THESE ALTERATIONS MIGHT BE.

H. IN MAKING THIS REQUEST, USG WISHES TO STRESS SERIOUSNESS WITH WHICH WE VIEW THIS MATTER. UNWILLINGNESS OF GDR TO DISCUSS CONSTRUCTION ISSUES WITH US IN OPEN MANNER RAISES QUESTION ABOUT ULTIMATE ACCEPTABILITY OF CHANCERY RENOVATION AS COMPLETED BY DLA. OUR WILLINGNESS TO ACCEPT THE CHANCERY BUILDING AND TO BEGIN PAYING RENT WILL BE AFFECTED BY THE MANNER IN WHICH THE GDR DEALS WITH THE QUESTION OF COSTS AND WITH COMPLETION OF THE WORK SPECIFIED BY THE USG.

3. DEPARTMENT WOULD PREFER TO DEFER COMMENT ON OTHER ISSUES RAISED IN REFTELS UNTIL RESULTS OF ABOVE REPRESENTATION ARE KNOWN. SISCO

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